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CONDITIONS
IN THE WOMEN'S GARMENT INDUSTRY

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ECONOMIC BACKGROUND

The nation's economy slowed in the third 1988 quarter, according to preliminary data on Gross National Product. Real GNP, the measure of the nation's output of goods and services corrected for price changes, was up, but at a lower rate than in each of the prior two quarters which, in turn, had a lower growth rate than each quarter in 1987.

The slowdown in the economy's growth rate comes at a time of presidential succession and, as the severe drop in the stock market after the elections showed, raises serious questions about dealing effectively with the huge budget and trade deficits. The former totalled $155 billion for the fiscal year that ended September 30, 1988 and is expected to be higher in the current fiscal year, while the trade deficit will be somewhere between $135 billion and $140 billion this year.

Expressed at an annual rate, the preliminary third quarter data show a decline from the second quarter's 3.0 percent growth rate to one of 2.2 percent. This early measure of the nation's output of goods and services in the third quarter will undergo two revisions before becoming final.

Rise in PCE

Buoying the economy in the third quarter and accounting for most of the GNP rise was the growth in personal consumption expenditures (PCE) and the continued strength of inventory accumulation. Representing 65 percent of GNP, PCE are clearly its most important element.

PCE advanced 1.1 percent in the first quarter of 1988 following a dismal minus 0.5 rate percent in the final 1987 quarter, increased at a declining 0.75 percent rate in the second quarter and at a slightly higher 0.86 percent in the latest quarter.

Of the three components of PCE, purchases of non-durables were up 0.9 percent over the very low and virtually flat growth rates of the last two years. Non-durable outlays, however, were only 2.4 percent above those two-and-one-half years ago.

Significantly, purchases of durable goods dropped precipitously. Outlays for durable products had been the mainstay of PCE in the first half of 1988 and the last half of 1987. In part, the decline reflected model year changeovers in the automobile industry. Service expenditures also rose in the third quarter at the most rapid pace in more than a year.

Investment Growth Slows

Private domestic investment reversed a negative trend in the second quarter, but in dollar terms was still below that of the first quarter. Investment in equipment, considered the motor force of economic growth, rose 1.4 percent in the third quarter, down sharply from a 5.0 percent rate in the first quarter and a 4.5 percent rise in the second.

Growth in investment in non-residential structures was down in the third over the second quarter, while residential investment rose slightly from 0.05 percent in the second quarter to 0.32 percent in the third. First quarter investment in non-residential structures had also declined over those in the last 1987 quarter. Residential outlays have been relatively flat to down since mid-1986.

Third quarter inventory accumulation was slightly lower than in the second quarter and at $34 billion was about half that in the first quarter. In historic terms, inventory levels continued high and in the third quarter were the fourth highest in the past eleven quarters. If inventories were backed out of GNP, the latter would have shown negative growth in each 1988 quarter as well as in the last two 1987 quarters.

Trade Balance Worsens

The negative trade balance in goods and services grew slightly in the third quarter after four quarters of decline. Exports rose more slowly than in the prior quarter, tending to bear out the conclusion in an earlier analysis in these pages which said that, because of capacity constraints and low investment in basic machinery, future export growth would be increasingly difficult. We suggested that the industrial policies of the Reagan Administration severely limited the ability of many industries to contribute to export growth.

Imports were up sharply in the third quarter after declining in the second. While the relative value of the dollar rose in the third quarter, the short time frame

in which this occurred was insufficient to justify large import gains. With the value of imports almost 20 percent greater than exports, there is reason to doubt that the trade imbalance can be seriously reduced without a basic change in government policy.

Government purchases of goods and services dropped slightly in the third quarter, with military outlays showing the sharpest decline. Non-military spending continued to rise, but at a considerably lower pace than in the second quarter. State and local government purchases inched up in the quarter.

Retail Sales Sluggish

Other economic indicators showed the same mixed picture in the third quarter. Retail sales, corrected for price increases, remained relatively sluggish in the quarter, rising 0.4 percent. Durable goods sales were down 1.1 percent, while non-durables picked up 1.3 percent after a flat second quarter. Early fourth quarter data show a 0.5 percent improvement in real terms in October, with both durable and non-durable sales rising, the latter more rapidly than the former.

Industrial production, which went up 1.6 percent in the quarter, increased 0.4 percent in October. September and August growth was minimal, July showed a 1.1 percent rise. Capacity utilization inched up to 84.0 percent in October, following 83.8 percent levels in August and September. Business inventories rose 0.7 percent in September after a flat July and August. Housing starts went up 7.2 percent in October, but for the first ten months of 1988 were 9.1 percent behind the same period in 1987.

Total employment continued to increase in the third quarter. The number of unemployed also rose in the third quarter, after dropping sharply in the two prior quarters. The unemployment rate declined modestly. Weekly hours worked by manufacturing workers were flat in the third quarter at 41.0 hours as in the last four quarters.

The Consumer Price Index moved up 1.4 percent in the third quarter, after rising 1.2 percent and 0.5 percent respectively in the second and first quarters. In October, CPI rose 0.3 percent, bringing the year to date increase to 4.1 percent. Producer prices rose 1.4 percent in the third quarter, 4.1 percent over the third 1987 quarter.

The trade deficit for September, the latest month for which data are available, narrowed by $1.8 billion to $10.5 billion. More than half of the improvement came from agricultural exports, which rose $600 million, and oil imports, which declined $400 million, the latter resulting from a drop in the quantity imported and a sharp fall in the price of oil.

RETAIL SALES

Although retail sales got off to a surprisingly strong start early in 1988, performance turned lackluster as the year progressed. Current dollar sales were ahead of last year by 9.0 percent in the first 3 months of the year, but up only 5.2 percent from April through October. In real terms, after price adjustment, sales through March were up 5.6 percent, while in the following 7 months they advanced only 2.0 percent. For the entire 10 months, sales were ahead 6.3 percent in current dollars and 3.0 percent in real terms.

Durables Slump

A dramatic shift in sales of durable goods in the course of 1988 accounts for most of the change in overall sales. After chalking up gains of 14.6 percent in current dollars in the first three months of 1988, durable goods retailers realized a gain of only 6.2 percent in the following seven months. In real terms, the gain through March was 11.3 percent, while in the subsequent period it fell to 4.6 percent. Real durable sales advanced less than 2 percent in three out of the last four months.

Declining automobile sales were primarily responsible for the fall off in durables volume. Sales of items to be used in refurbishing of homes -- building materials, paints, wallpaper, appliances, furniture -- actually had larger gains as the year progressed. Prices of durable goods increased a modest 1.9 percent this year.

Sales of non-durable goods stores failed to show any real sparkle in 1988 as early attention went to large ticket items. For the ten months through October, current dollar sales were ahead by 5.0 percent. In the non-durables sector, price rises were more significant and real volume was up by only 1.0 percent.

Among the non-durable goods stores showing better than average performance were restaurants, drug stores, gasoline service stations, fuel oil dealers, stationers and florists. Discount department stores fared far better than their conventional counterparts. Apparel and food stores lagged behind other non-durable outlets.

Women's Apparel Weak

One of the major disappointments in the retailing scene this year has been the continued soft demand for women's and children's apparel. Given the drift in

Retail Sales of Women's and Children's Wear by Type of Outlet*

(in millions of dollars)

Period	Total Sales	Department Stores	Women's Specialty Stores	Family Clothing Stores	Other Retail Outlets
1980	$48,287	$20,409	$16,273	$5,007	$6,598
1981	53,746	23,188	17,764	5,745	7,049
1982	59,160	24,477	20,884	6,504	7,295
1983	62,352	26,418	20,682	7,187	8,065
1984	68,284	29,245	22,707	7,521	8,811
1985	74,141	31,698	25,211	7,990	9,242
1986	79,572	33,554	27,843	8,492	9,683
1987	84,271	35,645	29,238	9,264	10,124
Jan-Sep'87	56,359	23,299	20,087	6,202	6,771
Jan-Sep'88	58,479	24,335	20,624	6,257	6,992

* Data include millinery, furs, hosiery, gloves and other accessories.
SOURCE: ILGWU Research Department (benchmarked to Census of Business).

the economy and the changing nature of apparel retailing and sourcing, the problem was not unexpected.

From its very beginnings over one hundred years ago, fashion and creativity have been the apparel industry's driving force to stimulate consumer purchases. Retailers typically left the designing task to the manufacturer. The industry provided opportunities for new talent, willing to take creative and economic risks. The domestic industry offered a profusion of styles to retailers to stimulate retail volume.

Fashion Sameness

This has been changing in recent years. At first, retailers turned to merchandise with brand names or designer labels in a search for higher markups. This helped shift the emphasis from creativity to label as a way to sell garments. Greater reliance on imported garments, with their longer lead times, larger size orders and greater profit opportunities, also helped weaken the role of fashion. Added to this, the current retailer penchant for private label goods, with prices often matching those with designer labels, contributed to the makings of a serious problem.

For a time consumers went along. But gradually, as purses tightened in the wake of inadequate income growth, consumers shifted expenditures from apparel to other products. Fashion controversy over the return of the mini-skirt and sameness in store inventories started to show up last year. Beginning in mid-1987, apparel sales began to weaken, particularly in women's and children's wear.

In the first nine months of 1988, sales of women's and children's wear went up 3.8 percent over the same months of 1987. Prices charged by retailers rose even faster, however, gaining 4.5 percent in the period. As a result, real volume is off this year by 0.7 percent.

In contrast, current dollar sales of women's and children's wear rose 5.9 percent in 1987. Prices at retail rose 5.8 percent, however, leaving a net gain in real sales of only 0.1 percent.

Unseasonable weather this year, including extremely hot summer days, also helped dampen consumer buying. The skirt length controversy quieted, but store selections improved only slightly. Some sought to reduce risk by cutting back on orders for imported merchandise or shifting sourcing from the Far East to the Caribbean, where lead time is shorter and quota more readily available. These actions did little, however, to improve fashion selections, the one dramatic move that might have brought some consumers back to the store.

So far in 1988, department stores have led the various outlets selling female apparel with a 4.4 percent gain in current dollar sales. Other outlets were next with a gain of 3.3 percent. Specialty retailers did worst of all, with women's wear store sales rising 2.7 percent and family clothing stores gaining only 0.9 percent.

DOMESTIC PRODUCTION AND VOLUME

Sagging retail apparel sales, coupled with a continued high level of import penetration, are bringing 1988 activity in the domestic industry to new lows. The government collects dollar volume data only on an annual basis, but there are sufficient clues in the market to suggest that industry volume is heading down once again.

Preliminary 1987 data indicate that the overall wholesale dollar volume of women's and children's wear produced in the United States was $21.8 billion. Though this was 0.7 percent higher than the 1986 volume, it was 7.7 percent lower than the 1983 peak.

If price increases are factored out, the industry performance fell behind even more. In real terms, 1987 volume declined 13.0 percent over 1983 and was at its lowest point in the last 10 years.

Production of Selected Women's and Children's Garments
(in millions of units)

	Jan-June 1987	Sept-Dec 1987	Jan-June 1988
Women's and Girls' Garments			
Coats and jackets, except suit type	17.1	13.6	9.5
Down and feather filled coats*	0.6	0.3	0.3
Suits and pantsuits	3.8	3.1	4.6
Separate suit-type jackets	9.6	9.0	12.3
Dresses	118.9	89.6	95.9
Skirts and divided skirts	64.2	64.1	59.5
Slacks, jeans & sweatpants	190.8	181.2	157.7
Shorts	56.3	22.3	40.7
Sweaters	48.1	42.9	34.5
Woven blouses and shirts	144.6	126.5	103.5
Knit T-shirts and tanktops	48.3	39.3	37.3
Other knit shirts	96.9	99.8	76.0
Swimwear	22.9	23.4	27.1
Warmup and jogging suits	15.4	13.9	5.8
Playsuits*	14.3	11.1	19.6
Coverall, overalls, jumpsuits*	13.8	12.2	8.0
Foundation garments	114.9	134.4	124.6
Nightwear*	94.1	96.4	89.1
Underwear*	751.0	868.7	776.2
Infants' Wear			
Shirts, pants, creepers, coats, rompers, playclothing	47.5	39.6	30.9
Underwear and nightwear	51.8	48.9	55.2

*Includes men's and boys' garments
SOURCE: U.S. Bureau of the Census (data benchmarked to 1982 Census of Manufactures).

Production Data Resumed

In 1987, the Bureau of the Census discontinued its monthly report on domestic production of key apparel items and replaced it with a quarterly series. Data using the new system have now been released through the second quarter of 1988. The new series, however, differs from the previous data in several respects, making comparisons with prior years difficult.

One major difference is in product definitions. The old monthly series focused on adult apparel, leaving children's wear data for annual reports. The quarterly series, trying to attain comparability with import data, combines women's and girl's garments. Infants' wear is shown separately to match import data.

Data are now available for a broader range of products, including a number of sportswear items and intimate apparel. In some instances, data for men's and women's garments have been combined by the Census Bureau. A further difference lies in the timing of data availability. Data for the April-June 1988 quarter were not released until late November. The data are helpful for historical purposes, but less useful for current analysis.

The Census Bureau has not, as yet, provided data prior to 1987 comparable with the new data. For this reason, we publish here only the data for 1987 and 1988 for products shown in the new report.

In accordance with the practice of the Census Bureau, the production data include garments cut in the United States but sewn abroad under the provisions of Item 807.00 of the Tariff Schedules of the United States. As such, domestic production is substantially overstated. While it would be helpful to exclude these foreign-sewn garments from domestic production data, the manner in which the Census Bureau presently publishes data makes this task difficult.

Production Varies Widely

Unit production varied widely between the first half of 1987 and the first half of 1988. Of the 19 products for which data are available, six posted increases in the first half of 1988. Separate suit-type jackets increased 27 percent and suits and pantsuits moved up 21 percent. Swimwear advanced 18.5 percent, foundation garments (mostly made under Item 807.00) moved ahead 8.4 percent, infants' underwear and nightwear rose 6.6 percent and other underwear gained 3.4 percent.

All other products declined in 1988. Nightwear output was off 5.3 percent and skirts 7.3 percent. Production of pants declined 17.4 percent and dress output fell 19.3 percent. Knit T-shirts and tank tops were off 22.7 percent, while other knit shirts fell 21.6 percent.

Shorts output declined 27.8 percent in the first half of 1988, while sweaters and woven blouses dropped 28.4 percent each. Infants' outerwear declined 34.8 percent, coats and jackets (other than suit-type) were down 44.4 percent, down-filled coats were 51.1 percent behind and warm-up and jogging suits were off the first-half 1987 mark by 62.2 percent.

IMPORTS

The decline in apparel imports that began in August 1987 was, as we anticipated, short-lived. By mid-1988 the declines were shrinking and by late summer imports were once again on the rise. Total apparel imports (measured in square yards equivalent) rose 2.6 percent in August and 3.1 percent in September, both compared with year ago figures. For the first nine months, 1988 apparel imports are down 6.9 percent, but this figure will shrink by year's end.

Imports of textile products other than apparel have not reversed their decline. They were down 10.5 percent in September and for the nine month period are off by 9.9 percent. Cutbacks in domestic apparel production are still having an impact on fabric demand.

Data on imports of women's and children's wear are available only through August. They show a drop of 5.9 percent in the eight month period in square yards. Garments made of cotton increased 0.4 percent, with a 13.5 percent gain in cotton knits more than offsetting a 4.8 percent drop in woven cotton garments.

Wool female apparel imports were down 14.6 percent, with knits off 12.5 percent and wovens 17.4 percent. Garments of man-made fibers declined 8.5 percent, with knits down 14.2 percent and wovens behind 1.2 percent. Garments made of silk or vegetable fibers dropped 26.6 percent in the first eight months of 1988.

Imports of individual items of women's and children's wear also reflected the overall weakness in demand. Of the 13 major products for which data are shown, eight posted declines in the first eight months of 1988 over the corresponding 1987 period. Sweater imports dropped 33 percent, while those of suits were down 26 percent. Imports of playsuits, blouses and knit shirts were off between 13 and 15 percent. Skirt imports fell 9 percent, dressing gown and robes were off 6 percent and slacks and shorts down 2 percent through August of 1988.

Imports of Selected Women's and Children's Garments
(in thousands of units)

Product	Fiber	Year 1983	Year 1984	Year 1985	Year 1986	Year 1987	Jan-Aug 1987	Jan-Aug 1988
Coats, jackets, raincoats	Cotton	19,683	26,267	24,827	28,635	32,018	22,523	18,037
	Wool	3,305	4,409	4,990	5,606	5,104	3,683	2,976
	Synthetic	46,820	48,165	45,247	49,870	49,544	34,121	36,166
	Other	N.A.	N.A.	N.A.	N.A.	2,772	2,269	1,655
	Total	**69,807**	**78,841**	**75,064**	**84,110**	**89,438**	**62,596**	**58,834**
Suits	Wool	1,393	1,417	1,176	1,510	1,325	1,086	595
	Synthetic	5,003	5,504	5,096	6,498	6,497	4,542	3,293
	Other	N.A.	N.A.	N.A.	N.A.	511	384	555
	Total	**6,396**	**6,922**	**6,795**	**8,609**	**8,333**	**6,012**	**4,443**
Dresses	Cotton	12,329	16,785	17,725	20,889	25,324	18,815	21,626
	Wool	1,022	1,996	1,730	2,326	1,607	1,085	902
	Synthetic	21,321	25,775	30,468	37,133	37,370	26,865	28,303
	Other	N.A.	N.A.	N.A.	N.A.	2,085	1,487	1,355
	Total	**34,672**	**44,556**	**49,923**	**60,349**	**66,384**	**48,252**	**52,186**
Blouses	Cotton	103,041	115,536	136,510	160,071	164,222	123,010	101,128
	Wool	2,325	2,997	3,140	3,075	2,593	1,820	1,563
	Synthetic	76,724	81,042	112,478	137,464	108,246	79,607	74,184
	Other	N.A.	N.A.	N.A.	N.A.	10,709	7,263	8,031
	Total	**182,091**	**199,575**	**252,128**	**300,611**	**285,770**	**211,700**	**184,906**
Knit shirts	Cotton	88,904	120,412	113,419	162,825	200,883	141,802	147,291
	Wool*	35,413	41,382	44,472	41,653	38,219	6,007	6,149
	Synthetic	208,893	210,453	206,777	244,681	240,392	181,772	126,895
	Other	N.A.	N.A.	N.A.	N.A.	1,421	467	2,393
	Total	**305,460**	**341,773**	**329,041**	**417,593**	**451,534**	**330,048**	**282,728**
Sweaters*	Cotton	10,057	15,141	20,715	24,324	25,538	15,845	15,072
	Wool	35,413	41,382	44,472	41,653	38,219	26,365	22,261
	Synthetic	129,307	127,035	146,001	149,623	145,475	111,637	89,992
	Silk	N.A.	N.A.	19,949	9,289	15,067	9,725	6,682
	Other	N.A.	N.A.	95,000	127,289	107,362	79,666	34,125
	Total	**174,777**	**188,240**	**326,137**	**352,171**	**331,661**	**243,238**	**162,132**
Skirts	Cotton	19,548	25,756	27,236	38,450	63,053	43,680	42,135
	Wool	2,927	4,239	5,216	8,395	6,035	4,203	3,240
	Synthetic	14,023	15,666	18,297	33,490	36,367	27,476	24,143
	Other	N.A.	N.A.	432	4,751	7,341	5,135	4,131
	Total	**36,498**	**45,661**	**51,181**	**85,085**	**112,796**	**80,494**	**73,649**
Slacks & Shorts	Cotton	142,760	150,426	156,871	182,205	189,093	135,723	144,013
	Wool	2,201	3,156	5,019	4,458	3,495	2,570	2,749
	Synthetic	96,438	114,036	131,946	147,606	134,671	99,680	87,245
	Other	N.A.	N.A.	N.A.	N.A.	24,963	16,742	16,286
	Total	**241,399**	**267,718**	**293,836**	**334,270**	**352,223**	**254,715**	**250,293**
Playsuits*	Cotton	21,946	33,215	36,200	41,544	37,862	28,952	27,025
	Synthetic	9,818	13,852	16,245	27,790	20,843	14,821	10,322
	Total	**31,764**	**47,067**	**52,446**	**69,334**	**58,706**	**43,773**	**37,347**
Dressing gowns & robes*	Cotton	5,537	6,373	8,116	9,389	9,383	6,352	6,261
	Synthetic	2,973	3,943	3,694	5,630	6,725	4,301	5,122
	Total**	**8,511**	**10,316**	**11,810**	**15,018**	**16,245**	**10,752**	**11,435**
Nightwear & Pajamas*	Cotton	35,351	27,723	31,598	34,815	33,885	22,940	23,826
	Synthetic	8,182	12,317	21,047	27,820	30,432	20,606	21,581
	Total**	**33,533**	**40,040**	**52,645**	**62,635**	**64,426**	**43,641**	**45,457**
Underwear*	Cotton	87,868	87,596	125,606	137,350	164,462	119,425	134,243
	Synthetic	56,020	102,603	106,917	134,828	139,886	94,187	97,800
	Total**	**143,888**	**190,199**	**232,523**	**272,178**	**305,120**	**214,239**	**232,370**
Brassieres & girdles	**Total**	**156,754**	**166,065**	**185,418**	**179,558**	**196,194**	**132,201**	**145,214**

* Includes male garments ** Includes other fibers N.A. Not available Source: U.S. Bureau of the Census (General Imports)

Dress imports advanced 8 percent in the first eight months of 1988, the only major outerwear item to gain. Other products with 1988 increases are all in intimate apparel. Imports of nightwear and pajamas were ahead 4 percent, dressing gowns and robes 6 percent, underwear 9 percent and imports of foundation garments rose 10 percent over 1987.

Detailed September data were not available when this report was written. However, the overall preliminary data show further import increases. This trend can be expected to continue through the end of the year.

One problem facing the domestic apparel industry is the large amount of quota overhang -- the degree to which quotas exceed current imports. Should consumer demand pick up, foreign sources have the potential to ship huge additional quantities of virtually every type of apparel item to the United States. If such a jump in imports were to take place, the domestic industry could face decimation.

This potential for further damage made essential the passage of this year's textile and apparel bill. The unwarranted Presidential veto and failure of Congress to override has left the industry and the jobs of garment workers ever more open to injury.

EMPLOYMENT, HOURS, PAYROLLS

Employment activity in our industry is heavily impacted by two factors -- consumer demand for women's and children's apparel and the respective market shares of domestic and imported clothing. For many years, the trends were repetitive -- a slow rise in demand, burgeoning imports and precipitous drops in domestic production and employment.

More recently, industry trends have varied. Consumer demand for women's and children's wear began to weaken in mid-1987. Imports, requiring longer lead times and larger orders, became more risky and began to lose some ground. The domestic industry did not realize gains from this development, however. The net affect was a worsening of the domestic situation and an accelerated decline in employment.

Production Workers Decline

The number of production workers in the industry fell 2.1 percent between the first nine months of 1987 and the same period in 1988. This came on the heels of a 0.3 percent decline in 1986 and a 0.6 percent drop in 1987. The employment situation worsened from June 1988 on as imports began to rise again.

Declining employment occasionally created tightness in productive capacity, notably in 1987 when the average work week increased 1.7 percent, or by more than half an hour a week. Overtime work was also somewhat more prevalent in 1987. So far in 1988, the average work week has risen only 0.2 percent and overtime utilization has declined.

Total hours worked by the industry's production workers declined 1.8 percent in the first nine months of 1988 following a 1.5 percent rise in 1987. The number of work days this year is about the same as in 1987.

Average weekly earnings were ahead 2.4 percent in 1988, following a 4.2 percent increase last year. Payrolls, reflecting a combination of higher wages and lower employment, went up only 0.3 percent this year. This contrasts with a 3.9 percent increase in payrolls last year.

Employment Setbacks Widespread

The 1988 employment declines took place across a broad cross-section of the industry. Only the coat, suit and skirt industry was spared. It's employment rose a scant 0.9 percent in the first nine months of the year.

All of the other branches of the industry suffered employment declines in the first nine months of 1988. The number of production workers in knit underwear was off 0.5 percent, while in underwear and nightwear and "other outerwear" (encompassing a wide variety of women's sportswear items as well as washable service apparel) the number of workers fell 1.4 percent.

There were 2.4 percent fewer production workers in the dress industry this year, 3.3 percent fewer in knit outerwear and 3.7 percent fewer in children's outerwear. Blouse industry employment fell 4.7 percent, while the deepest cut -- 5.8 percent -- took place in corsets and brassieres.

Average weekly hours were up in the first nine months of 1988 in all industries except knit underwear. Employment declines kept total hours worked under last year's level in all but the coat, suit and skirt industry. Payrolls were down in corsets and brassieres, blouses and knit outerwear, while they moved ahead in the other sectors of our trade.

Historic Declines

Relatively modest employment drops in the last few years have tended to obscure the long term historic decline that has taken place in the industry's work force. Overall, the number of production workers has

Employment, Manhours and Payrolls, Women's and Children's Garment Industry

Average Employment of Production Workers

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	64,500	183,700	45,900	70,200	68,900	102,000	24,700	72,800	28,700
1980	57,100	127,900	54,100	59,400	55,100	120,400	13,900	62,100	26,700
1981	53,200	121,300	55,000	60,000	54,700	123,400	14,200	62,500	26,300
1982	47,900	110,900	52,200	55,400	52,000	117,700	12,100	58,600	24,200
1983	47,100	105,600	51,300	54,100	51,000	124,200	12,200	58,100	24,700
1984	42,400	96,600	50,000	57,000	53,900	134,400	12,300	58,300	23,300
1985	36,600	78,800	44,100	55,700	50,800	142,400	11,200	53,400	20,700
1986	34,500	72,100	40,700	60,900	51,500	148,200	10,800	52,100	20,500
1987	33,200	69,300	38,800	63,700	49,700	152,800	9,400	50,500	21,800
Jan-Sep'87	32,920	69,290	38,930	63,670	49,640	152,480	9,510	50,410	21,750
Jan-Sep'88	33,210	67,660	37,280	61,600	47,790	150,290	8,960	49,710	21,640

Manhours of Production Workers (in millions)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	109.7	307.6	80.0	134.6	123.1	182.6	44.6	132.3	54.6
1980	97.1	202.6	92.7	114.2	97.9	209.2	24.1	113.4	49.4
1981	90.2	197.6	93.8	112.5	99.0	216.6	25.4	114.1	47.5
1982	78.1	179.9	89.7	101.7	92.1	199.9	20.4	102.8	41.9
1983	80.1	173.1	88.9	100.6	91.4	222.4	21.8	106.4	46.3
1984	72.7	160.1	86.8	106.5	98.7	241.1	22.7	107.6	43.6
1985	62.7	133.2	76.8	105.1	93.0	255.0	20.2	98.3	38.0
1986	60.1	123.0	71.9	116.9	95.7	263.1	19.0	99.8	40.4
1987	58.6	122.4	69.5	125.1	92.8	274.3	16.7	86.0	43.6
Jan-Sep'87	43.8	92.3	52.5	94.6	69.2	205.8	12.6	71.6	32.6
Jan-Sep'88	45.2	90.6	50.5	91.7	66.8	203.8	12.2	71.2	31.7

Payrolls of Production Workers (in millions of dollars)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	$347.1	$906.5	$209.6	$389.0	$314.3	$481.7	$120.1	$321.9	144.5
1980	489.2	953.7	399.0	535.6	417.9	930.0	105.9	464.1	225.4
1981	490.9	1,002.7	436.9	567.4	450.6	1,032.7	121.3	508.5	234.5
1982	444.0	946.5	427.8	534.1	436.2	991.7	103.9	476.3	216.6
1983	476.7	953.7	436.1	555.4	438.5	1,129.6	115.1	511.4	246.6
1984	448.8	912.1	439.2	615.9	488.8	1,261.0	126.4	535.4	241.8
1985	404.0	772.4	394.3	636.8	471.2	1,361.5	118.6	508.6	217.0
1986	388.1	720.0	366.0	742.7	494.1	1,428.8	117.3	518.6	238.2
1987	381.1	740.4	350.9	814.6	489.7	1,519.9	108.3	511.9	267.7
Jan-Sep'87	283.7	556.5	264.4	612.2	363.3	1,138.1	81.0	381.0	199.5
Jan-Sep'88	295.0	559.6	258.5	588.0	364.1	1,171.2	79.8	391.8	203.8

* Men's and women's garments

Source: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

fallen 17.1 percent since 1980 and 27.3 percent since the 1973 peak.

Severe as it is, the overall decline is moderated by the long-term rise in the number of workers in the "other outerwear" industry. Looked at individually, many of the other branches of our industry have suffered a far worse fate since 1973 than the overall figure suggests.

The most severe drops have taken place in the corset and brassiere industry where 1988 employment is 64 percent below its 1973 level, and in dresses, where the number of production workers has fallen 63 percent. Coat, suit and skirt employment is off 52 percent, while in underwear and nightwear, employment is down 40 percent.

Compared with 1973, employment has dropped 31 percent in children's outerwear, 25 percent in knit underwear, 19 percent in blouses and 13 percent in knit outerwear. The one exception has been in "other outerwear", where employment has risen 47 percent over the last 15 years.

Lower Unemployment Misleading

Apparel industry unemployment this October was 7.2 percent, relatively low in terms of recent history. The figure is misleading, however, since it covers only those workers with previous experience in the industry and excludes those who might have come into the industry if permanent jobs were available. The unemployment figure also excludes workers who left the industry because they no longer could find employment. Even with the October 1988 improvement, the apparel unemployment rate remains nearly 50 percent higher than the rate for the economy as a whole.

HOURLY EARNINGS

The only readily available data on hourly earnings in our industry are those collected by the U.S. Bureau of Labor Statistics. These data cover unionized as well as non-union factories and include overtime premium pay. They do not include fringe benefits.

Average Hourly Earnings, Women's Garment and Other Selected Industries

Industry	Sept. 1982	Sept. 1983	Sept 1984	Sept. 1985	Sept. 1986	Sept. 1987	Sept. 1988
WOMEN'S GARMENTS							
Coats, suits, and skirts	$5.75	$6.13	$6.30	$6.51	$6.50	$6.63	$6.67
Dresses	5.28	5.54	5.78	5.81	5.92	6.17	6.40
Blouses	4.75	4.93	5.12	5.17	5.09	5.11	5.19
Knitted outerwear*	5.23	5.58	5.79	6.11	6.42	6.57	6.36
Children's outerwear	4.68	4.81	4.99	5.09	5.18	5.38	5.60
Other outerwear	5.01	5.10	5.33	5.33	5.52	5.63	5.83
Corsets and brassieres	5.17	5.43	5.61	6.03	6.28	6.60	6.39
Underwear and nightwear	4.67	4.84	5.09	5.19	5.25	5.39	5.58
Knitted underwear	5.18	5.31	5.53	5.71	5.88	6.21	6.51
MEN'S CLOTHING							
Suits and coats	5.95	6.28	6.63	6.64	6.68	6.65	6.85
Shirts and nightwear	4.65	4.77	4.90	5.02	5.16	5.36	5.54
Separate trousers	4.85	5.03	5.22	5.28	5.22	5.31	5.48
Work clothing	4.77	4.89	5.10	5.31	5.53	5.60	5.69
ALL MANUFACTURING	8.58	8.89	9.25	9.57	9.74	9.99	10.25
Nondurable goods	7.85	8.11	8.46	8.74	8.97	9.30	9.50
Printing and publishing	8.91	9.24	9.55	9.81	10.13	10.48	10.70
Rubber and plastic products	7.76	8.06	8.33	8.56	8.72	9.01	9.18
Cotton fabrics	6.04	6.46	6.77	7.11	7.45	7.59	7.73
Wool fabrics	6.16	6.67	6.83	7.06	7.42	7.78	8.03
Durable goods	9.15	9.47	9.79	10.16	10.29	10.49	10.78
Automobiles	11.69	12.33	12.73	13.43	13.43	13.64	14.18
Primary metal industries	11.54	11.36	11.44	11.68	11.81	12.19	12.26
COAL MINING	13.02	13.96	15.11	15.18	15.43	15.77	16.06
BUILDING CONTRACTORS	10.70	10.87	11.06	11.41	11.54	11.85	12.28
RETAIL TRADE	5.50	5.78	5.85	5.98	6.06	6.20	6.37
SERVICES	6.99	7.38	7.67	7.99	8.19	8.54	8.98

* Men's and women's garments

SOURCE: U.S. Bureau of Labor Statistics

The latest BLS data are for September 1988 and show a very mixed pattern. The largest increase in hourly earnings from a year ago -- 30 cents -- took place in the knit underwear industry. Earnings advanced 23 cents an hour in the dress industry, 22 cents in children's outerwear, 20 cents in other outerwear (encompassing women's pants and other sportswear items as well as washable service apparel) and 19 cents an hour in underwear and nightwear.

Earnings rose 8 cents an hour in the blouse industry and 4 cents in coats, suits and skirts. In knitted outerwear and corsets and brassieres, earnings declined 21 cents an hour between September 1987 and September 1988.

Data Deceptive

These earnings data must be used with a degree of caution. The shrinking of the apparel industry work force, with its attendant occupational and geographical dislocations, has an impact on earnings data.

Plant closings and employment cuts have affected regions unevenly and changed the weights used to compute national averages.

Product mixes within a given industry have a bearing as well. For example the earnings figure for the coat, suit and skirt industry reflects the relative importance of coat and suit employment to skirt employment.

While these data include the wage increases negotiated by the ILGWU in the major outerwear negotiations of 1988, the adjustments can be offset by a number of negative factors. These include non-union work, the tendency of piece-work earnings to fall when work is sporadic and the depressing effect of domestic factories trying to compete with imported garments made at wages that are a tiny fraction of those in the United States.

COMMENTARY

With the presidential election now history, attention must now turn to the nation's deep-seated economic problems. The limited discussion of them during the campaign were confined to broad generalizations and one liners used more for public relations purposes than in a serious effort to confront them. But the problems did not go away.

In a perceptive article in The New York Times (October 9, 1988), one month before the election, Professor Laura D'Andrea Tyson called attention to economic data releases which, she said, "creates the illusion of a healthy economy." Asserting that "the economic situation is far from sanguine", she said that reported economic well-being, as "reflected by current economic indicators", is fragile, "resting on borrowed funds that must be repaid."

These comments are much to the point. They are not, however, novel observations. A close look at the economic data, much of which have been discussed in these pages over the last few years, points up the precarious state of our economy. Among these factors, not necessarily in any particular order, are:

* over the last eight years, the federal government has run enormous budget deficits; accumulated national debt between 1789 and 1980 totalled $1 trillion; between 1981 and 1988, the nation's debt rose to $2.6 trillion;

* the annual interest cost on this enormous debt runs to $150 billion at this time, monies that could be put to far more constructive use;

* we continue to run the highest trade deficit ever and it can be expected to continue at high levels for a long time, despite such simplistic panaceas as decreasing the relative value of the dollar;

* to finance the budget and trade debts, the government has been forced to borrow money abroad on a vast scale, converting the nation from the world's largest creditor to the world's largest debtor nation;

* if money did not come in from abroad, the federal government would have to increase its borrowing in domestic markets, limiting even more the already low investment rate in our economy and pushing up interest rates in the process;

* money borrowed from abroad has not been used to improve domestic competitiveness, nor to repay the nation's debt, nor to improve living standards;

* investment in the economy, the key to economic growth, is the second lowest among industrial nations as a percent of Gross National Product, raising serious questions concerning present and future product competitiveness;

* in the week of the presidential election and in the days that followed, the stock market dropped precipitously, a development widely viewed as an expression of serious concerns about the ability of the incoming administration to deal with the mounting debt;

* investment in research and development is now lower than it was 30 years ago and, according to one study, we are running "significantly behind West Germany and Japan, and the gap is steadily growing";

* corporate debt, accentuated by the mergers and acquisitions binge, has risen 75 percent since 1983 and has more than doubled from $800 billion in 1980 to $1.8 trillion through June 1988, making corporations more vulnerable in the next recession and suggesting a rash of bankruptcies for highly leveraged companies;

* Chairman Alan Greenspan of the Federal Reserve Board has warned against the speculative nature of the leveraged buyout spree and the increased use of junk bonds to finance them;

* an estimated 500 savings and loan banks and associations are on the verge of bankruptcy, with losses estimated at between $50 billion and $100 billion;

* the neglect of manufacturing, only recently recognized as the key to improving our trade balance and living standards, must be reversed and a rounded manufacturing base established;

* policy makers continue to play games with the value of our currency relative to that of other nations, first driving up the dollar, severely limiting our competitiveness worldwide, and then lowering it in what is still a vain effort to reverse the trade imbalance, but encouraging the purchase of American assets at bargain basement prices;

* huge swings in currency values have or will in the future discourage domestic investment by creating enormous uncertainties;

* if policy makers continue to orchestrate a further decline in the dollar, a point may be reached where foreign investors in government and other securities will become discouraged and cease to make such investments, creating yet additional problems in financing our budget and trade deficits;

* over the years, most Washington administrations have ignored our infrastructure -- roads, bridges, tunnels, water supply, sewage systems, environmental pollution, etc. -- and there are increasing reports of breakdowns of one kind or another all over the country;

* average weekly earnings of production workers have not improved over the last 25 years; expressed in 1977 dollars, they were $169.28 in 1987 against $172.16 in 1962, peaking at $198.41 in 1972 and dropping sharply thereafter, most notably since 1980;

* despite the huge increase in the number of two-earner families, median family income peaked in 1973 at $31,076 in 1986 dollars and was at a lower $30,809 in 1986.

* our educational system is in dire need of assistance to deal with 23 million functionally illiterate people and to provide necessary training for higher technology jobs;

* more than 30 million people, including many children, live in poverty, as defined by U. S. government agencies.

The foregoing is far from an exhaustive list of the economic problems confronting the nation and the incoming Administration. They reflect both acts of commission and of neglect over the years, accentuated in the last eight years of the Reagan Administration.

Highly touted "good economic news" simply obscures a long-term economic decline. When the anticipated downturn will occur cannot be predicted with any degree of accuracy. But the weaknesses cited above, as well as others, suggest that when an economic downturn occurs it will be severe -- and it will happen sooner rather than later.

The first step in attempting to deal with these problems is to recognize that they exist and that all the hoopla to which we have been and continue to be subjected will not solve them.

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CONDITIONS
IN THE WOMEN'S GARMENT INDUSTRY

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ECONOMIC BACKGROUND

Real Gross National Product rose at an annual rate of 3.7 percent in the first quarter of 1989 and 2.5 percent in the second quarter. Real GNP is the measure of the nation's output of goods and services corrected for price increases.

More than half of the first quarter gain represented the return of agricultural output to a more normal level following the 1988 drought, according to the Commerce Department's Bureau of Economic Analysis. Thus, had the 1988 drought not taken place, GNP growth in the first half of 1989 would have been around a low 2.0 percent on an annual basis.

Inventory investment played an important part in GNP growth in the two quarters, representing about two-thirds of the growth in the first quarter and three-fourths of the second quarter's growth.

Consumption Up

Personal consumption expenditures rose in each of the two quarters, but the rate of increase declined over that of the last two 1988 quarters, reflecting a slowing of the economy. Growth in personal consumption expenditures was also less in the second quarter than in the first.

Durable outlays declined in the first quarter but then rose substantially in the second quarter. The first quarter decline reflected primarily a fall in auto sales, which recovered somewhat in the second quarter. The largest increases in durable goods purchases in the second quarter of 1989 were in furniture and household equipment, which also rose sharply in the first quarter.

Nondurable goods purchases rose slightly in the first quarter, but dropped more severely in the second. Purchases of clothes and shoes were up very little in each quarter.

Services showed the largest growth in total personal consumption expenditures, with more than half of the increase in such spending attributable to medical costs. Housing and transportation costs were also up in both quarters of 1989.

Disposable personal income in real terms dropped in the second quarter. Average hourly earnings rose in both quarters, but at a slower rate in the second quarter, went up again in July, but dropped once again in August. As a result, consumer caution appeared to be setting in, at least in this time frame.

Investment Ups and Downs

Gross private domestic investment rose significantly in the first quarter and fell back slightly in the second. Substantial increases took place in total nonresidential investment. Residential outlays for single family structures dropped sharply in the second quarter after a slight rise in the first. Multifamily expenditures were relatively flat.

Despite the substantial rise in total nonresidential investment, which represents roughly 70 percent of all domestic investment in each quarter, new factory construction declined slightly in the first quarter and more sharply in the second quarter.

Producers' durable goods investment, the largest component of nonresidential investment, showed huge increases in both quarters, particularly in the second. However, investment in information processing and related equipment, which went up in both quarters, represented almost half of the total of such outlays and the greatest share of the quarterly rises.

Investment in industrial equipment, on the other hand, rose a little in the first quarter, only to drop in the second. Such outlays represented less than one-fifth of the total of all investments.

Significance of Investment

Industrial equipment or capital goods investment is considered to be the key to economic growth and its major stimulus. It has also recently been cited as a key element in turning around the imbalance in merchandise trade because such outlays increase the ability to increase manufacturing output and at more competitive prices.

Total investment in industrial equipment, which was relatively flat in each quarter, was only slightly higher than the share of transportation in overall nonresidential investment and, as observed, much

lower than information processing. The low level of manufacturing investment must raise questions about the future ability of the U. S. to become more competitive in manufactured exports.

Increased manufactured exports are an essential part of any reduction in the trade deficit, the other being reduced imports. While exports of manufactures have been rising, they can be expected to slow as capacity constraints develop, along with an inability to compete with nations where investment is at higher levels.

Trade Balance Improves

Although the merchandise trade balance improved in the first two quarters over 1988, it is still running at a rate of over $100 billion a year. Merchandise imports dropped in the first quarter, but were up again at higher levels in the second quarter. Exports of manufactured products were up in both quarters.

Since it is government policy to expand rather than restrict trade, export growth is critical to turning around the trade balance.

Oil imports declined in the first quarter, but were higher in the second quarter. Agricultural exports were flat in the second quarter after rising somewhat in the first. Exports of services, which have been a third higher than service imports, rose in both quarters. Service imports, however, were also up.

Exports dropped 1.8 percent in July over June as outgoing manufactures declined and farm exports fell sharply. Reflecting the slowdown in the industrial sector, imports of capital goods and manufacturing supplies also showed a severe drop in June and July. However, second half capital spending plans are expected to boost imports again, given the large share of imports in information processing equipment.

Government purchases of goods and services dropped in the first quarter, but were up in the second quarter. Military expenditures declined 2.75 percent in the first quarter and rose slightly in the second, while non-military expenditures increased sharply in the second quarter. State and local government expenditures were up at roughly the same amount in both quarters.

Retail Sales Flat

In real terms, total retail sales were down in both quarters. Durable goods sales dropped 1.2 percent in the first quarter and rose 1.8 percent in the second. Nondurable sales were flat in the first quarter, but dropped in the second.

Industrial production rose 0.5 percent in the first 1989 quarter and 0.6 percent in the second. Manufacturing output jumped 2.9 percent in the second quarter after falling 0.5 percent in the first. Output remained flat in July and rose a slim 0.2 percent in August. Since April, manufacturing output has grown at the weak annual rate of 1.8 percent, far less than the 1988 gain of 5.3 percent.

Capacity Usage Down

Reflecting a flattening in the economy, capacity utilization rates, which include manufacturing, mining and utilities, declined in the first two quarters from an end of 1988 peak of 84.3 percent. They dropped to 83.6 percent in July and were flat in August.

Total non-agricultural employment continued to rise in the two quarters and into July and August. The number of unemployed dropped sharply in the first quarter, was up again in the second quarter, remained flat in July and was down again in August. The civilian unemployment rate hovered between 5.1 percent and 5.2 percent in the two quarters and in July and August as well.

The Consumer Price Index went up in both quarters, by 1.1 percent and 1.6 percent respectively. The increase continued into July, but in August the CPI was flat. Producer prices were up 1.7 percent in the first quarter, a further 1.9 percent in the second, rose in July and were down in August.

All in all, the economy as a whole may best be described as lethargic.

RETAIL SALES

Based on performance through August, the latest date for which data are available, the nation's retailers have little to cheer about. Total retail sales in current dollars are ahead of 1988 by an average 5.5 percent, a somewhat slower pace than the 7.1 percent gain chalked up in calendar 1988.

The problem has been compounded by the pick up in retail commodity prices, which are ahead 4.4 percent in the first eight months of 1989. In real terms, total sales are only 1.1 percent higher than in the first eight months of 1988. By way of comparison, the real 1988 gain over 1987 was 3.7 percent.

While the virtual standstill in retailing -- a sector that accounts for approximately two-thirds of the nation's

Retail Sales of Women's and Children's Wear by Type of Outlet*

(in millions of dollars)

Period	Total Sales	Department Stores	Women's Specialty Stores	Family Clothing Stores	Other Retail Outlets
1980	$48,287	$20,409	$16,273	$5,007	$6,598
1981	53,746	23,188	17,764	5,745	7,049
1982	59,160	24,477	20,884	6,504	7,295
1983	62,352	26,418	20,682	7,187	8,065
1984	68,284	29,245	22,707	7,521	8,811
1985	74,141	31,698	25,211	7,990	9,242
1986	79,443	33,554	27,824	8,492	9,573
1987	83,972	35,698	28,712	9,250	10,312
1988	88,409	37,499	29,934	9,938	11,037
Jan-Aug'88	51,165	21,367	17,738	5,673	6,387
Jan-Aug'89	54,522	22,615	19,073	6,059	6,775

* Data include millinery, furs, hosiery, gloves and other accessories.
SOURCE: ILGWU Research Department (benchmarked to Census of Business).

economic activity -- has been viewed with approval by a number of experts as evidence that inflation will not develop, the other side of the coin points to a more ominous conclusion. The slowdown in retail spending is a clear sign of inadequate growth in family income and the overextended debt position of the American consumer.

Durables Weaken

The consumer mood was reflected in the further softening of large ticket durable goods sales, particularly automobiles, that began in mid-1988 and has continued into 1989. After an increase in 1988 of 9.8 percent in current dollars and 7.6 percent in real terms, durable goods advanced only 4.0 percent in 1989 and only 2.0 percent in real volume. Higher interest rates have helped discourage spending.

The automobile industry brought the 1989 model year to a close with rebate and other discount programs to help reduce inventories. It also announced additional rebates and other sales gimmicks for the 1990 model year even before it started. While this may help sales in the short run, it is essentially borrowing from transactions that would have occurred later in the 1990 model year.

Retail sales of nondurables -- food, clothing, fuel, etc. -- have been lackluster for several years and that trend was continued in 1989. After a 1988 gain of 5.4 percent in actual dollars and 1.3 percent in real terms, nondurables advanced 6.5 percent in the first 8 months of 1989 but only 0.5 percent in terms of real sales. Price rises accounted for virtually the entire 1989 growth.

One of the few highlights of the retail scene has been the revival of apparel sales following the slump that began in mid 1977 and lasted through most of 1988 and into early 1989. Consumer spending on women's and children's apparel, which represents 60 percent of all apparel spending, has been the major force in retailing this year. Women who had been turned off by the sameness of store offerings in the recent past, responded to 1989's renewed emphasis on fashion and branded merchandise.

Female Apparel Strong

Retail sales of women's wear in current dollars rose 6.6 percent in the first eight months of 1989 compared to 5.3 percent last year. Real sales were up 4.7 percent this year compared to a gain of 1.1 percent in 1988. A turnaround in price policies was evident.

During much of 1987 and 1988, especially in the spring, retailers were rapidly increasing prices. This was one of the factors that turned off the consumer. Prices were held in check this year or even cut as retailers stepped up promotions in an effort to boost volume.

While the press and others have reported the strong showing this year by retail vendors of women's and children's wear, the gains must be placed in perspective. Comparisons are being made with a weak 1988 period and much of the gain simply represents a return to normal levels. Apparel consumption grows slowly over the years, largely reflecting population advances.

Female wardrobes had become depleted and out of date during the spending lull and consumers took advantage of funds on hand that were not being spent on large-ticket items to spend more liberally on apparel. From the retailer standpoint, the back-to-school season this fall was fairly successful.

The disruptive effects of mergers and buyouts at the retail level have been increasingly felt but, by and large, major damage has been avoided so far. Inventories are in line, but retailers are ordering with great caution. Imports are again playing an ever-increasing role as domestic goods are being shut out.

Outlets Vary

The Census Bureau classifies retail outlets by the type of merchandise they sell, rather than their pricing policies. There are, therefore, no data on sales of women's and children's wear by discounters, off-price outlets or any of the other popular retailing classifications.

Viewed from the official classification, the largest gains this year in female apparel were chalked up by apparel specialty stores. Women's and children' wear stores led with a 7.5 percent gain in current dollars, while those selling goods for the entire family were a close second with a 6.8 percent advance. Department stores did less well with a 5.8 percent improvement. Other outlets, including variety stores and mail-order houses, were up 6.1 percent.

DOMESTIC PRODUCTION

On the whole, U.S. apparel producers are not receiving significant benefit from the revival in retail sales of women's and children's wear. While a limited number of producers are getting larger orders, the steadily growing dependence on imports is cutting into domestic production activity along a broad front.

Developments in production can be gleaned from the information now being collected by the Bureau of the Census. The regular monthly series formerly issued by the Bureau was suspended in 1986 and a new quarterly series commenced in 1987.

Unfortunately, the new series has many limitations. It does not separate women's and girl's apparel, even though these are two distinct markets. In a number of cases, male and female garments are combined. There are no dollar volume data. And, there are substantial lags in the publication of the information. Thus, in October, data are available only through March 1989.

The Census Bureau also uncovered a number of hitherto unknown apparel firms in its 1988 data which enlarge the data for that year. Since similar data were not available for other periods, calculations comparing 1988 to prior years exaggerate output changes. It is necessary, therefore, to adjust the officially published data to make them consistent.

Declines Predominate

Among the hardest hit in early 1989 were a number of major outerwear products that have long been basic to our industry. Output of coats and jackets (except suit type) were down 15.1 percent in the first quarter, while suit-type jacket production was off 6.8 percent. Skirt output declined 9.2 percent and that of dresses lost 7.5 percent in the first quarter of 1989.

Among items also losing ground in the first quarter were sweaters, which were off 20.9 percent, woven blouses and shirts down 6.6 percent and swimwear and robes, both of which lagged 1.9 percent.

Output of the remaining products was ahead in the first quarter. Knit T-shirts and other knit shirts were up 1.0 and 1.7 percent respectively. Pants production increased 5.5 percent, suits were up 6.7 percent and shorts soared 80.4 percent. Various items of intimate apparel and infants' wear were also turned out in higher numbers this year.

The production data, however, must be used with caution. The Census Bureau defines domestic output in terms of cuttings and therefore includes in its data all of the garments cut in the U.S. but sewn abroad under Item 807. At present, this provides a major distortion in the production data.

Production of Selected Women's and Children's Garments
(in millions of units)

	1987	1988	Jan-Mar 1988	Jan-Mar 1989
Women's and Girls' Garments				
Coats and jackets, except suit type	26.5	25.5	5.2	4.4
Down and feather filled coats*	1.2	1.4	0.5	N.A.
Suits and pantsuits	7.9	9.1	1.9	2.1
Separate suit-type jackets	22.3	25.8	6.5	6.0
Dresses	237.1	223.5	63.1	58.3
Skirts and divided skirts	140.4	127.3	36.2	32.9
Slacks, jeans & sweatpants	404.5	370.3	85.9	90.6
Shorts	73.2	88.3	31.2	56.3
Sweaters	98.7	87.4	22.4	17.8
Woven blouses and shirts	308.0	252.5	70.7	66.0
Knit T-shirts and tanktops	100.0	95.3	27.7	28.0
Other knit shirts	205.1	194.2	46.9	47.7
Swimwear	50.3	63.9	23.9	23.4
Warmup and jogging suits	42.5	37.9	7.8	9.5
Playsuits*	33.6	35.3	12.2	13.0
Coverall, overalls, jumpsuits*	28.4	32.6	8.2	11.2
Foundation garments	240.8	291.3	69.3	70.0
Nightwear	232.5	223.7	59.7	60.4
Underwear*	1665.6	1823.9	434.7	468.6
Robes and dressing gowns*	40.1	37.7	9.1	8.9
Infants' Wear				
Shirts, pants, creepers, coats, rompers, playclothing	92.3	81.1	18.7	20.8
Underwear and nightwear	107.0	114.9	28.2	30.3

*Includes men's and boys' garments
N.A. Not available
SOURCE: U.S. Bureau of the Census (data benchmarked to 1982 Census of Manufactures).

IMPORTS

The respite from apparel import growth lasted barely a year -- from August 1977 through July 1988. It was, as we predicted, a very temporary development in the face of weak retail sales. The pundits who had been proclaiming a basic turnaround in the import situation have been proven wrong. Once the clouded retail picture began clearing, the way was open for a return to apparel importing with renewed vigor.

Overall apparel imports, measured in square meters of equivalent fabric -- the adoption of the Harmonized Tariff Code by the international community has led to a change from the prior measurement standard of equivalent square yards -- soared 12.8 percent in the first seven months of 1989. This compares with a 3.4 percent drop in 1988.

Imports of non-apparel textiles resumed growth some months later than apparel and for 1989 to date are up 11.2 percent. This compares with a 9.3 percent drop in 1988. All signs point to record high imports of both textiles and apparel in 1989.

Fibers and Products Vary

Apparel imports made of cotton rose 6.7 percent through July after a 2.1 percent advance last year. Man-made fiber apparel imports were 13.9 percent

Imports of Selected Women's and Children's Garments
(in thousands of units)

Product	Fiber	Year 1984	Year 1985	Year 1986	Year 1987	Year 1988	Jan-Jul 1988	Jan-Jul 1989
Coats, jackets, raincoats	Cotton	26,267	24,827	28,635	32,018	26,086	16,337	13,111
	Wool	4,409	4,990	5,606	5,104	4,841	2,044	2,240
	Synthetic	48,165	45,247	49,870	49,544	54,623	31,344	25,272
	Other	N.A.	N.A.	N.A.	2,772	2,706	1,555	2,290
	Total	78,841	75,064	84,110	89,438	88,256	51,280	42,913
Suits	Wool	1,417	1,176	1,510	1,325	903	373	320
	Synthetic	5,504	5,096	6,498	6,497	5,474	2,814	2,582
	Other	N.A.	N.A.	N.A.	511	930	531	382
	Total	6,922	6,795	8,609	8,333	7,307	3,718	3,284
Dresses	Cotton	16,785	17,725	20,889	25,324	28,003	20,213	20,807
	Wool	1,996	1,730	2,326	1,607	1,396	564	666
	Synthetic	25,775	30,468	37,133	37,370	37,904	23,784	25,699
	Other	N.A.	N.A.	N.A.	2,085	1,960	1,308	2,836
	Total	44,556	49,923	60,349	66,384	69,263	45,869	50,008
Blouses	Cotton	115,536	136,510	160,071	164,222	134,204	90,322	93,440
	Wool	2,997	3,140	3,075	2,593	2,315	1,296	482
	Synthetic	81,042	112,478	137,464	108,246	111,367	85,272	81,298
	Other	N.A.	N.A.	N.A.	10,709	11,388	7,842	7,734
	Total	199,575	252,128	300,611	285,770	259,274	184,734	182,954
Knit shirts	Cotton	120,412	113,419	162,825	200,883	214,886	134,174	149,155
	Wool*	10,908	8,845	10,087	8,838	9,140	4,099	3,584
	Synthetic	210,453	206,777	244,681	240,392	196,366	110,066	170,416
	Other	N.A.	N.A.	N.A.	1,421	3,107	2,344	1,195
	Total	341,773	329,041	417,593	451,534	422,499	250,682	324,350
Sweaters*	Cotton	15,141	20,715	24,324	25,538	24,383	12,834	13,613
	Wool	41,382	44,472	41,653	38,219	34,819	15,151	11,119
	Synthetic	127,035	146,001	149,623	145,475	127,110	71,414	81,852
	Silk	N.A.	19,949	9,289	15,067	10,127	5,678	2,719
	Other	N.A.	96,000	127,289	107,362	67,108	28,756	60,434
	Total	188,240	328,137	352,171	331,661	263,547	133,833	169,737
Skirts	Cotton	25,756	27,236	38,450	63,053	50,842	39,463	25,596
	Wool	4,239	5,216	8,395	6,035	4,709	2,119	2,124
	Synthetic	15,666	18,297	33,490	36,367	33,158	21,121	22,067
	Other	N.A.	432	4,751	7,341	5,124	3,964	3,820
	Total	45,661	51,181	85,086	112,796	93,833	66,667	53,629
Slacks & Shorts	Cotton	150,426	156,671	182,205	189,093	204,547	131,288	154,026
	Wool	3,156	5,019	4,458	3,496	4,033	1,741	1,739
	Synthetic	114,036	131,946	147,608	134,671	132,239	75,382	94,714
	Other	N.A.	N.A.	N.A.	24,963	22,336	15,940	26,046
	Total	267,718	293,636	334,270	352,223	363,155	224,351	276,525
Playsuits*	Total	47,067	52,446	69,334	58,706	52,237	34,610	28,516
Dressing gowns & robes*	Cotton	6,373	8,116	9,389	9,383	9,805	5,220	6,426
	Synthetic	3,943	3,694	5,630	6,725	8,544	4,232	7,079
	Total**	10,316	11,810	15,018	16,246	18,432	9,495	13,529
Nightwear & Pajamas*	Cotton	27,723	31,598	34,815	33,885	36,398	18,574	21,931
	Synthetic	12,317	21,047	27,820	30,432	32,740	18,070	20,909
	Total**	40,040	52,645	62,635	64,426	69,209	36,667	42,865
Underwear*	Cotton	87,596	125,606	137,350	164,462	209,591	112,730	152,737
	Synthetic	102,603	106,917	134,828	139,886	157,636	84,377	93,272
	Total**	190,199	232,523	272,178	305,120	367,855	197,324	246,058
Brassieres & girdles	Total	166,065	186,418	179,558	198,194	218,286	124,252	125,507

* Includes male garments ** Includes other fibers N.A. Not available

Source: U.S. Bureau of the Census (General Imports)

ahead of 1988, following a 3.8 percent decline a year earlier. Wool apparel imports fell 13.2 percent this year on the heels of a 7.1 percent drop in 1988. The widest fluctuations took place in vegetable fiber and silk blend apparel, where a 28.4 percent slash in 1988 was followed by a 68.2 percent gain in the first seven months of 1989.

Imports of individual items of women's and children's apparel showed mixed results in the first seven months of 1989 compared to the same 1988 months. Of the 13 items for which separate data are available, nine showed increases in 1989.

Imports of foundation garments rose 1 percent, while [illegible] of dresses were up 10 percent. Imports of knit shirts, sweaters, playsuits, pants, underwear and nightwear were all ahead by amounts ranging from 16 to 27 percent. Dressing gowns and robe imports led with a 43 percent advance.

On the downside, imports of blouses were off 1 percent, while imports of coats, suits and skirts were lower by 12 to 20 percent.

CBI Problem

Imports of apparel from the Caribbean have been increasing at a far faster pace than those from other parts of the globe. Measured in equivalent square meters, CBI apparel shipments to the U.S. soared 23 percent in 1988 and were up an additional 22 percent in the first seven months of 1989. The CBI now accounts for over 10 percent of total apparel imports.

In addition to such natural advantages as closeness to the U.S. and lower labor costs than the Newly Industrialized Countries, the Reagan and Bush Administrations' CBI programs have helped boost the region's shipments of apparel to our shores.

Virtually unlimited quotas for apparel made of U.S. formed and cut fabric, plus ample quota for shipments of goods made of non-U.S. fabrics have brought a rush of U.S. and Far Eastern firms to the CBI area.

Earlier this year, Congress began to deliberate on extension of the existing CBI legislation. Because the non-apparel portion of the program has been a dismal failure, language was incorporated to expand CBI apparel operations.

Included not only were provisions for duty-free entry of garments made of U.S. formed and cut fabric no matter how import-sensitive they were, and 50 percent duty reduction on apparel made of foreign fabrics. Loopholes were also created for garments made of foreign fabric if similar fabric was not made in the U.S. or was in short supply.

Congress' attention was drawn by the ILGWU and the labor movement as a whole to the damage the CBI proposals would create for the domestic apparel industry unless the expected gains in apparel imports were offset by reductions in the quantity of goods shipped from the Newly Industrialized Countries in the Far East.

While the legislation has been withdrawn for the moment because of successful pressure against it, continued vigilance is needed to insure that our industry does not have to bear any further brunt of U.S. assistance to needy countries without taking away apparel imports from other exporting countries.

Mexico, a major apparel producer for U.S. markets, is not covered by the CBI legislation. Nevertheless, the Administration has accorded Mexico many of the apparel benefits granted to the CBI nations.

Quotas on apparel imports from Mexico have been repeatedly increased as a token of friendship and last week's meeting between the Presidents of the two countries became the occasion for another round of quota expansion. Since a large fraction of the apparel assembly done in Mexico is on U.S. made fabric, Mexico receives little long-term benefit from such work, while the jobs of U.S. garment workers are further jeopardized.

EMPLOYMENT, HOURS, PAYROLLS

The recent pick up in retail sales of women's and children's wear have not led to a corresponding improvement in overall employment opportunities in our industry. The strong resumption of apparel import growth in 1989 has more than outstripped consumer demand and thereby cut into domestic production. In turn, this has put a damper on any across-the-board job gains.

Employment Declines Continue

Revised data from the Bureau of Labor Statistics show that the overall number of production workers in women's and children's wear in 1989 has been consistently lower than in the same months of 1988, with an average drop through July of 2.0 percent.

This unsatisfactory performance follows declines of 0.4 percent in calendar 1987 and 2.2 percent in 1988. The cumulative effect of the employment declines brings

Employment, Manhours and Payrolls, Women's and Children's Garment Industry

Average Employment of Production Workers

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	64,500	183,700	45,900	70,200	68,900	102,000	24,700	72,800	28,700
1980	57,100	127,900	54,100	59,400	55,100	120,400	13,900	62,100	26,700
1981	53,200	121,300	55,000	60,000	54,700	123,400	14,200	62,500	26,300
1982	47,900	110,900	52,200	55,400	52,000	117,700	12,100	58,600	24,200
1983	47,100	105,600	51,300	54,100	51,000	124,200	12,200	58,100	24,700
1984	42,400	96,600	50,000	57,000	53,900	134,400	12,300	58,300	23,300
1985	36,600	78,800	44,100	55,700	50,800	142,400	11,200	53,400	20,700
1986	34,500	72,100	40,700	60,900	51,500	148,200	10,800	53,100	20,500
1987	32,300	68,400	38,800	64,100	50,200	154,500	9,600	50,400	22,000
1988	30,400	64,300	36,600	62,900	49,200	155,100	9,600	49,400	22,200
Jan-Jul'88	29,500	64,900	36,900	62,700	49,700	157,600	9,600	49,600	22,000
Jan-Jul'89	31,200	63,200	35,500	62,100	47,800	153,900	9,500	48,500	21,400

Manhours of Production Workers (in millions)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	109.7	307.6	80.0	134.6	123.1	182.6	44.6	132.3	54.6
1980	97.1	202.6	92.7	114.2	97.9	209.2	24.1	113.4	49.4
1981	90.2	197.6	93.8	112.5	99.0	216.6	25.4	114.1	47.5
1982	78.1	179.9	89.7	101.7	92.1	199.9	20.4	102.8	41.9
1983	80.1	173.1	88.9	100.6	91.4	222.4	21.8	106.4	46.3
1984	72.7	160.1	86.8	106.5	98.7	241.1	22.7	107.6	43.6
1985	62.7	133.2	76.8	105.1	93.0	255.0	20.2	98.3	38.0
1986	60.1	123.0	71.9	116.9	95.7	263.1	19.0	99.3	40.4
1987	57.0	120.7	69.5	126.0	93.8	277.4	17.1	95.8	44.0
1988	54.8	114.0	65.8	124.3	91.5	278.5	17.2	94.3	43.3
Jan-Jul'88	30.9	67.3	38.6	71.8	53.9	165.4	10.2	54.4	25.0
Jan-Jul'89	32.8	64.9	37.2	71.5	51.3	160.0	9.8	53.7	24.8

Payrolls of Production Workers (in millions of dollars)

Period	Coat, Suit Skirt	Dress	Blouse	Knit Outerwear*	Children's Outerwear	Other Outerwear	Corsets, Brassieres	Underwear, Nightwear	Knit Underwear*
1973	$347.1	$906.5	$209.6	$389.0	$314.3	$481.7	$120.1	$321.9	$144.5
1980	489.2	953.7	399.0	535.6	417.9	930.0	105.9	464.1	225.4
1981	490.9	1,002.7	436.9	567.4	450.6	1,032.7	121.3	508.5	234.5
1982	444.0	946.5	427.8	534.1	436.2	991.7	103.9	476.3	216.6
1983	476.7	953.7	436.1	555.4	438.5	1,129.6	115.1	511.4	246.6
1984	448.8	912.1	439.2	615.9	488.8	1,261.0	126.4	535.4	241.8
1985	404.0	772.4	394.3	636.8	471.2	1,361.5	118.6	508.6	217.0
1986	388.1	720.0	366.0	742.7	494.1	1,428.8	117.3	518.6	238.2
1987	370.3	729.3	350.9	820.1	495.1	1,537.6	110.7	511.2	270.1
1988	358.3	710.2	337.5	795.1	500.0	1,611.9	112.9	521.3	280.0
Jan-Jul'88	200.4	411.5	197.1	460.7	292.0	949.0	67.3	298.0	160.3
Jan-Jul'89	209.8	424.4	196.2	463.5	289.0	961.9	66.1	309.3	168.8

* Men's and women's garments

Source: U.S. Bureau of Labor Statistics and ILGWU Research Department estimates

the job level in our industry 4.0 percent below 1986 and 28.5 percent below the peak level in 1973. In many of the industry's branches, the historic drops in employment are even more severe.

Declines in the industry's labor force in 1987 and 1988 had led to small temporary increases in the average weekly hours and total hours worked. This development has now ended and in the first eight months of 1989 the average work week has declined 0.1 percent while total hours are down 2.2 percent. Most of the decline in hours is real since the number of work days this year is nearly the same as in 1988.

Average weekly earnings in women's and children's wear rose 4.0 percent in the first eight months of 1989 following a 2.9 percent rise in 1988. Payrolls were ahead 1.7 percent this year with higher wages offsetting the declines in employment and hours. Last year, payrolls moved up only 0.6 percent.

Coat, Suit, Skirt Jobs Gain

With employment down on a broad front this year, the coat, suit and skirt branch was the only one posting a gain. The number of production workers employed in that industry in the first eight months of 1989 was up 5.7 percent over the same 1988 months.

The gain should be viewed in perspective, however. First, it is too soon to know if it is anything more than a transitory development. Second, and more important, even with the 1989 gain, employment in coats, suits and skirts is still below the levels of 1986 and 1987, let alone the higher years of the past.

In all other industry branches, the employment trend was down. The smallest decline was in corsets and brassieres where the number of production workers was down 0.6 percent in the first eight months of 1989 by comparison with a year ago. In knit outerwear, the employment decline was 0.9 percent.

Production worker employment was off 2.1 percent this year in underwear and nightwear, down 2.4 percent in "other outerwear" which includes a variety of sportswear items as well as washable service apparel, and behind 2.6 percent in dresses.

Employment in knit outerwear and children's outerwear fell 3.8 percent this year, while the deepest cut -- 3.9 percent -- took place in the blouse industry.

The underlying weakness in our industry was evident in 1989 in the data on hours worked. In four branches -- dresses, other outerwear, children's outerwear and corsets and brassieres -- both average weekly hours and total hours were down in comparison to 1988 levels. In four branches -- blouses, knit outerwear,underwear and nightwear and knit underwear -- average weekly hours were up somewhat but employment declines pulled down total hours. In only one branch -- coats, suits and skirts -- were hours worked ahead in 1989.

Weekly earnings were ahead in all branches except coats, suits and skirts and corsets and brassieres. Payrolls were up in all but three branches -- blouses, children's outerwear and corsets and brassieres.

Weakness Continues in August

Detailed industry data are not available for August 1989 as this report is being written. The preliminary data, available only for the apparel industry as a whole, suggest little change in the 1989 trend.

Overall production worker employment was 1.4 percent ahead of August 1988. However, most of the gain took place in the fabricated textile products sector of the apparel industry, which includes such non-apparel items as house furnishings and automobile trimmings. Average weekly hours worked were the same as last year. Activity in women's and children's wear apparently continues in doldrums.

Unemployment High

The unemployment rate for the apparel industry still is nearly double the national average. In August, the apparel rate was 9.1 percent. The rate has been consistently high this year, ranging from a low of 7.9 percent to a high of 10.0 percent and higher than the 1988 rates in six out of the eight months.

Unemployment data for the industry, however, do not tell the whole story since they include only workers with previous experience in the apparel industry. New labor force entrants who need apparel jobs are not counted nor are discouraged workers who have stopped seeking work because none is available.

HOURLY EARNINGS

The Bureau of Labor Statistics collects data each month on hourly earnings in the various branches of our industry. These data are, therefore, for unorganized as well as union shops, are national in scope and include overtime premium pay.

The latest data are for July 1989 and therefore include the second of the three-step wage increase negotiated

Average Hourly Earnings, Women's Garment and Other Selected Industries

Industry	July 1983	July 1984	July 1985	July 1986	July 1987	July 1988	July 1989
WOMEN'S GARMENTS							
Coats, suits, and skirts	$5.98	$6.18	$6.54	$6.40	$6.57	$6.54	$6.57
Dresses	5.63	5.72	5.79	5.83	6.09	6.12	6.62
Blouses	4.85	5.01	5.08	5.07	5.05	5.04	5.24
Knitted outerwear*	5.46	5.79	6.06	6.28	6.45	6.36	6.56
Children's outerwear	4.76	4.95	4.99	5.12	5.28	5.44	5.63
Other outerwear	5.06	5.19	5.28	5.43	5.50	5.75	6.00
Corsets and brassieres	5.38	5.63	5.88	6.04	6.47	6.45	6.57
Underwear and nightwear	4.75	4.92	5.17	5.21	5.33	5.45	5.80
Knitted underwear	5.25	5.51	5.67	5.81	6.13	6.40	6.87
MEN'S CLOTHING							
Suits and coats	6.32	6.62	6.67	6.60	6.61	6.81	7.19
Shirts and nightwear	4.73	4.87	4.99	5.12	5.21	5.40	5.58
Separate trousers	5.03	5.12	5.27	5.27	5.28	5.45	5.60
Work clothing	4.88	5.02	5.32	5.43	5.56	5.61	5.76
ALL MANUFACTURING	8.84	9.19	9.55	9.74	9.87	10.17	10.48
Nondurable goods	8.12	8.42	8.75	9.01	9.18	9.46	9.76
Printing and publishing	9.09	9.39	9.69	9.98	10.24	10.48	10.82
Rubber and plastic products	8.04	8.31	8.55	8.78	8.97	9.15	9.45
Cotton fabrics	6.45	6.70	6.98	7.24	7.52	7.62	8.00
Wool fabrics	6.54	6.88	7.10	7.42	7.57	7.95	8.47
Durable goods	9.38	9.73	10.11	10.26	10.38	10.67	11.00
Automobiles	12.07	12.66	13.32	13.33	13.33	13.79	14.13
Primary metal industries	11.38	11.49	11.77	11.92	11.93	12.22	12.41
COAL MINING (June data)	13.65	14.91	15.29	15.26	15.66	15.86	15.81
BUILDING CONTRACTORS	10.64	10.87	11.13	11.27	11.60	12.05	12.49
RETAIL TRADE	5.73	5.82	5.90	5.98	6.08	6.28	6.49
SERVICES	7.25	7.54	7.80	8.06	8.36	8.80	9.33

* Men's and women's garments
SOURCE: U.S. Bureau of Labor Statistics

negotiated by the ILGWU as part of the 1988 major outerwear negotiations.

Major Earnings Advances

The largest increase between July 1988 and July 1989 -- 50 cents an hour -- took place in the women's dress industry. The next largest gain -- 47 cents an hours -- was in knitted underwear.

Hourly earnings advanced 35 cents in underwear and nightwear, 25 cents in "other outerwear" (including a variety of sportswear items as well as washable service apparel) and 20 cents an hour in both blouses and knitted outerwear. Children's outerwear earnings rose 19 cents an hour between July 1988 and July 1989. The smallest advances took place in corsets and brassieres -- up 13 cents -- and in coats, suits and skirts -- up 3 cents in the year.

Not all of the shifts in hourly earnings are directly tied to workers' pay envelopes. Some are due to shifts in occupation, location and product mix. For example, the transfer of sewing and finishing work abroad through increased use of Item 807 tends to boost earnings averages in an industry since the more highly paid crafts of patternmaking, cutting, etc remain behind. In the coat, suit and skirt industry, the shift from more skilled coat work to sportswear has led to a stability of the average wage even though individual workers have received wage increases.

COMMENTARY

Constant revision of data makes forecasting the economy more and more difficult.

Economic statistics collected by government agencies -- the highlights of many of them are reported in the media -- are used to analyze the state of the economy. They also assist in the making of national or state economic policy and in private sector decision-making.

National and local policies are affected to varying degrees by data changes in the components of Gross National Product, interest and unemployment rates, the CPI, the Producers Price Index, capacity usage, trade data and a mass of other regular reports.

Personal decisions on major purchases and the timing of spending may be influenced by such monthly data as consumer prices, unemployment, interest rates (the cost of borrowing or securing credit) and so on.

Business decisions are also affected by economic data. Whether or when a firm may decide to invest may be determined in some measure by data on the general state of the economy and on such specifics as the level of capacity usage, interest rates, trade, etc. Labor union policy may come out of data on prices, wages, employment, unemployment, trade, etc.

Timeliness of Data

Because policy is based in some part on statistical reports, the quality and timeliness of data are of critical importance. The mere collection of data is not of itself sufficient. All data require some level of judgment and analysis, especially since they are based on sampling.

Increasingly, data used by economists, businessmen, politicians and others are subject to substantial revision. However, because of growing pressure for what may be described as "instant data", statistical releases until the final revision may be of lesser value than heretofore. For example, Gross National Product data for each quarter are announced on three separate dates about one month apart, with the second and third releases revising prior data. Some of the revisions may be of major importance.

Each release receives wide media publicity. Each is treated as definitive. Data users, therefore, may be forced to make major analytical changes when the data are revised. Revisions result either from more data or more definitive data becoming available.

For the general reader, the process invites enormous confusion. To those among them who try to follow these reports more closely, it may appear that quarterly GNP data, for example, are released each month or that the data simply do not stand still.

When the revisions are of major magnitude, an earlier appraisal of where the economy is and where it is going may have to be reworked. The same may hold for policy and programmatic prescriptions.

"Instant Data"

The Wall Street Journal has noted that the "hunger for instant, down-to-the-decimal numbers helps set the stage for sizable revisions." It goes on to say that "the government always releases [the numbers] before all the data are in hand; the late arriving information inevitably causes some adjustment."

Former Commerce Undersecretary Ortner, who reported many of the economic data during the Reagan Administration, says that, "There is a need and a desire to have estimates as soon as possible both for businesses' own planning and government policy making. There are trade-offs between accuracy and timeliness."

The Journal describes how what it calls "topsy-turvy statistics" helped to misshape the policy of the Federal Reserve System early this summer. The Fed decided to ease credit in June of this year with the aim of bolstering the economy because "indications of a slower economic expansion continue to accumulate." Some of the indicators, however, were significantly revised in one of the subsequent revisions and these changes had an effect on policy. Here is the sequence.

Policies Change

In the last week in July, the first or flash release on second quarter 1989 GNP data was made public. It showed a very small annual GNP growth rate of 1.7 percent. The Fed eased its credit policy further.

At the end of August the "flash" forecast was revised, showing that growth in the second quarter was, in reality, 2.7 percent on an annual basis. At the end of September, the second revision of second quarter GNP data was released. It showed a slight downward adjustment to a growth level of 2.5 percent on an annual basis.

As the Ford Motor Company's chief economist noted, "In theory, you're trying to find out what the future is going to be like. That's difficult when the past keeps changing."

Timeliness vs Accuracy

The timeliness versus accuracy argument makes little sense. Timely data that are inaccurate or are sharply revised at a later date create policy and forecasting problems. Yet, pressure exists to produce the earliest possible numbers.

Economic data made available by government agencies are based on generally accepted procedures. The staff that compiles them is made up of professionals imbued with the seriousness of their work and the importance of accuracy. But when they are pressured to "get out the data", despite the fact that they have insufficient time or insufficient data economic analysis becomes more difficult.

In a recent example of the kind of problem that arises all too frequently, a widely cited series of statistics was reported to have increased 5.5 percent in a given month. The report noted that the margin of error in the data was so great -- plus or minus 9.0 percent -- that it was "unclear whether there was an increase or a decrease." A month later a revision of the data showed no increase at all.

Problems of this type result from pressures to satisfy the demand for quick numbers and from cuts in appropriations for statistical gathering agencies during the Reagan administration. These cuts led to the elimination of entire statistical programs and in many cases the use of smaller sample sizes. Both affected the reliability of data.

Gathering Difficulties

Data gatherers are also finding it more and more difficult to collect information from companies, a major data source. Many large companies have been taken over in leveraged buyouts and management's cost cutting has included ceasing to fill out many of the Census Bureau's voluntary reports.

Important shifts have also been taking place in the economy, requiring the development of new measuring methods. For example, how should the output of service industries be measured? These industries represent the largest share of employment and a growing element of GNP. The sector's many differing industries requires the development of sophisticated techniques.

While the problems described above relate to some of the more widely discussed data gathering problems, there are a number of other areas where statistics collecting agencies have either simply not considered the need for measuring other aspects of the economy or reviewed their methodology.

Other Problems

One such area is the measurement of industrial output and its share of GNP in the light of the growth of sourcing abroad. Another relates to calculation of import penetration in apparel, where the domestic share of apparel consumption has declined sharply as a result of imports.

While there has been rapid growth in the import of parts used in the assembly of automobiles and computers, for GNP purposes these products are considered to be U. S.-made products.

Accurate measurement of the share of imports in the manufacture of such products is more than an academic exercise. It is a key in appraising the true state of manufacturing in the U. S. economy and provides the basis for determining both the status and importance of manufacturing in the nation's economy.

In summary, data from various government agencies, while better than those in many other countries, present a number of major problems. There is also a vast area of statistical investigation that remains to be done. The problems presented by data collection, the timing of their release, the need for increasingly large revisions and omissions have made it more and more difficult to forecast turns in the economy.